

Exhibit M

Redacted - For Public Inspection

September 17, 2018

Via Email

Ms. Elizabeth Drogula
Deputy Division Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: GCI Rural Health Care Support for Funding Year 2017

Dear Ms. Drogula,

On our call on Friday, September 7, 2018, regarding the Telecommunications Access Policy Division (“the Division”) review of GCI Communication Corp.’s (“GCI”) Fiscal Year 2017 funding under the Rural Health Care (“RHC”) Telecom Program, you stated that you believed the appropriate bandwidth allocation for RHC services provisioned over the TERRA network to be in the range of [REDACTED] to [REDACTED], with [REDACTED] being the percentage of TERRA capacity sold to RHC customers in 2017 ([REDACTED] Mbps) out of the total TERRA capacity sold to customers in 2017 ([REDACTED] Mbps), and [REDACTED] being the percentage of TERRA capacity sold to RHC customers in 2017 ([REDACTED] Mbps) out of the total TERRA capacity in 2017 ([REDACTED] Mbps). You explained that you thought [REDACTED] was likely too low because it treats as equal every packet that is sold. You also stated that you believed [REDACTED] was too high because there are no dedicated ports for RHC for some customers, which results in customers of best efforts services enjoying the same network experience as RHC customers during times of low congestion. You asked GCI to provide a narrative argument for where in this range the cost allocation percentage should be set. As explained herein, GCI believes that [REDACTED] is the number within the range that is closest to an engineering-based methodology.

As you know, GCI strenuously disagrees that the cost model as it has evolved based on the various instructions we have received is an appropriate methodology for prescribing rates on the TERRA network. The model does not bear any relationship to actual business decisions and, if it guided decisions, it would tell GCI that it should abandon mass market and mobile wireless broadband services. The model also forces an allocation of costs between RHC, E-rate, and commercial services rather than looking at the total network costs, and, thus, is inconsistent with the statute’s focus on rates for comparable non-RHC customers. The use of a bandwidth allocator to conduct a fully distributed cost allocation also leads to arbitrary results. Indeed, notable economists have concluded that the use of fully distributed cost allocation in a competitive market

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“tends to foreclose any opportunity for the regulated firm to obtain adequate earnings.”¹ As GCI has explained, any measure of relative utilization and sold capacity represents only the traffic placed on the network at a specific point in time by class and, therefore, is highly variable, which makes it difficult to provide a true measure over time of sold capacity versus demand placed on the network. Any such measurement is instantaneous in nature and, therefore, highly subjective.² Importantly, as GCI also explained, a network utilization/oversubscription methodology does not actually reflect how network costs are expended, in that it has little relationship to whether network upgrades are deployed. Allocations based on measured network utilization do not account for traffic engineering considerations that guarantee performance for priority services. Although the demand on the network from GCI’s priority customers varies by time and customer, the presence of these guarantees imposes real costs and considerations to the design and operation of the network.

Despite these issues, you have asked us to identify the appropriate bandwidth allocation percentage within the range of [REDACTED] to [REDACTED]. The low end of the range—[REDACTED]—is nonsensical, because it treats all capacity sold on the network as equal, regardless of whether those packets could be simultaneously transmitted. Because network capacity is oversold, this understates the degree to which priority packets have the right to occupy the network. The high end of the specified range—[REDACTED]—ignores the technical differences between Time Division Multiplexing (TDM) and packet networks. As discussed below, a dedicated port is a TDM concept, and fails to correspond with how packet networks are provisioned and managed. GCI believes that, if forced into a fully distributed cost methodology, the appropriate cost allocation for RHC services on the TERRA network is higher than [REDACTED]. Accordingly, if forced to “pick” a number within the range articulated, [REDACTED] is the most appropriate of the range dictated by FCC staff because it is closest to the more accurate cost allocator, TERRA service class design and management.

The concern that [REDACTED] is too high for the purpose of allocating costs because RHC customers do not have dedicated port capacity ignores the technical differences between a legacy TDM network and a modern packet network. The notion of truly dedicated capacity is a holdover from the days when data transport networks used TDM. On a packet network, individual packets are prioritized based on “Service Level Adjustment” tags. Priority services have first call on

¹ William J. Baumol, Michael J. Koehn and Robert D. Willig, *How Arbitrary is “Arbitrary”?—or, Toward the Deserved Demise of Full Cost Allocation*, Public Utilities Fortnightly, Sept. 3, 1987, at 17, Attachment 8 to Letter from Jennifer P. Bagg, Counsel, GCI Commc’n Corp., to Ms. Elizabeth Drogula, Deputy Division Chief, Telecommunications Access Policy Division, Fed. Commc’ns Comm’n (June 18, 2018).

² Letter from Jennifer P. Bagg, Counsel, GCI Commc’n Corp., to Ms. Elizabeth Drogula, Deputy Division Chief, Telecommunications Access Policy Division, Fed. Commc’ns Comm’n, at Bandwidth Allocation Methodology to Reflect the Cost-Causative Impact of TERRA Service Class Design and Management, 5–6 (Aug. 21, 2018).

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network queuing and routing resources (they go to the front of any queue and have first priority access to each network segment), and priority gets preference over normal class, which gets priority over best efforts. From a user perspective priority, service over a packet network is functionally equivalent to dedicated service over a TDM network, despite the lack of dedicated port capacity.

GCI's Performance Quality Adjustment (PQA) provides the best engineering-based methodology for differentiating bandwidth between classes of service traversing the same underlying network.³ As GCI explained, the TERRA network carries multiple classes (or grades) of traffic and the network is designed and managed so that each grade of traffic has different associated service performance parameters. Those parameters affect the throughput achieved by each class of traffic, as well as the extent to which statistical multiplexing can be used to share capacity among multiple users. In turn, those factors affect how each class of traffic affects decisions to upgrade capacity—and, thus, the extent to which each class “causes” capacity expansion. As a result, it is these service performance parameters that have a cost-causative impact on TERRA service class design and management.

Pursuant to Sections 0.457 and 0.459 of the Federal Communications Commission's (“FCC”) rules, 47 C.F.R. §§ 0.457, 0.459, GCI hereby requests confidential treatment of this letter (the “Confidential Information”). GCI requests confidential treatment of this letter, as well as the withholding of the designated information from any future public inspection.

In support of this request, GCI hereby states as follows:

1. Identification of Specific Information for Which Confidential Treatment Is Sought (Section 0.459(b)(1))

GCI seeks confidential treatment with respect to the content of this filing (the “Confidential Information”).

2. Description of Circumstances Giving Rise to the Submission (Section 0.459(b)(2))

GCI received information requests from the RHC Telecom Program regarding certain 2017 funding requests of the HCPs for which GCI is a service provider. GCI provided confidential responses to the information requests in November and December 2017 and again on March 30, 2018.⁴ Subsequently, GCI met with USAC and FCC staff to discuss the submissions, and the

³ See *id.*

⁴ See, e.g., Letter from Jennifer P. Bagg, Counsel, GCI Commc'n Corp., to RHC Review, Rural Health Care Program, Universal Serv. Admin. Co. (Mar. 30, 2018).

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Division has requested that GCI respond to certain proposals and requests regarding the RHC Telecom Program review.

3. Explanation of the Degree to Which the Information Is Commercial or Financial, or Contains a Trade Secret or Is Privileged (Section 0.459(b)(3))

The information for which GCI seeks confidential treatment contains sensitive “trade secrets or privileged or confidential commercial, financial or technical data,” which would customarily be guarded from competitors. This is sensitive commercial information that GCI does not otherwise make publicly available. As explained below, public disclosure of these measures could cause competitive commercial harm to GCI. In addition, the mere fact that GCI is being asked to respond may cause competitive harm. Therefore, the information in GCI’s response constitutes sensitive commercial information “which would customarily be guarded from competitors.”

4. Explanation of the Degree to Which the Information Concerns a Service that Is Subject to Competition (Section 0.459(b)(4))

The submitted information contains information regarding GCI’s Alaska-based telecommunications services. The Alaskan wireline, wireless, and broadband market (including Ethernet) is subject to competition. In particular, the FCC recently found in the Business Data Services proceeding that the market for Ethernet services is highly competitive.

5. Explanation of How Disclosure of the Information Could Result in Substantial Competitive Harm (Section 0.459(b)(5))

Disclosure of GCI’s Confidential Information would cause substantial competitive harm. *First*, disclosure would reveal information regarding GCI’s services, including performance characteristics and pricing, and HCP and E-rate customer information. GCI’s competitors and customers could use this information to determine GCI’s competitive position and associated revenues and thereby gain a competitive advantage. *Second*, disclosure of GCI’s Confidential Information would place GCI at a competitive disadvantage, as GCI lacks the same information regarding its competitors. *Third*, disclosure of this information could harm the competitive bidding process in the RHC program.

6. Identification of Any Measures Taken to Prevent Unauthorized Disclosure (Section 0.459(b)(6))

GCI does not distribute the Confidential Information to the public, government officials, competitors, or customers. Each page of the documentation containing any of the Confidential Information is clearly marked in bold-face type “GCI Proprietary – Not for Public Disclosure.”

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7. Identification of Whether the Information Is Available to the Public and the Extent of Any Previous Disclosure of the Information to Third Parties (Section 0.459(b)(7))

GCI's Confidential Information is and shall remain unavailable to the public. As noted in Part 6 above, GCI has not previously disclosed to third parties, other than the undersigned counsel, any of the Confidential Information.

8. Justification of Period During Which the Submitting Party Asserts that Material Should Not Be Available for Public Disclosure (Section 0.459(b)(8))

GCI requests that the Confidential Information not be disclosed for 10 years from the date of this request. By that time, the sensitivity of GCI's commercial information will have diminished, as market changes will render it increasingly dated, and would make it difficult for competitors to gauge GCI's current market position and revenues.

* * * *

Should you have further questions or require additional information in order to grant the requested confidentiality treatment, please contact me immediately so that I can provide further assistance to resolve this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Bagg".

Jennifer P. Bagg
Counsel to GCI Communication Corp.

Enclosures

cc: Preston Wise
Trent Harkrader
Ryan Palmer
Carol Pomponio